

## **AUDIT SUMMARY**

Our audit of Old Dominion University for the year ended June 30, 1998, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider material weaknesses;
- no instances of noncompliance with applicable laws and regulations; and
- adequate corrective action with respect to previous year audit findings was taken.

### **STATUS OF ADMINISTRATIVE INFORMATION SYSTEMS REPLACEMENT**

#### **Background**

In 1997, the University started a process to replace current administrative computer systems and reengineer business processes. The primary project objective was to enhance student services using a single University-wide integrated database. In December 1997, the University contracted with Systems & Computer Technology Corporation (SCT) for its integrated client server system, the Banner Systems, to replace existing SCT systems. The new systems include modules for Student Information, Financial Aid, Human Resources and Payroll, and Financial Information.

The University has established an Executive Steering Committee with ultimate responsibility for overall implementation including contract compliance, budget, policy decisions, use of resources, and timely completion. The implementation plan proposes to have all major Banner Systems in production by July 1, 1999.

#### **Current Status**

Management has developed a Project Definition Document that defines rules of the implementation, sets timelines, and outlines the roles for those directly involved with the project. In January 1998, staff began implementing the Banner Systems. The University met its deadlines for the Financial Information and the Human Resources and Payroll Systems of July 1, 1998, and January 4, 1999, respectively. The University is testing the remaining two systems, Student Information and Financial Aid, and expects these systems to go in production by April 1, 1999. Management expects final acceptance of the entire Banner System by July 1, 1999.

The University's project budget totals \$4,100,000 to purchase software, hardware, consulting services, and maintenance. As of December 1998, the project spent \$4,091,034, including hours purchased from the consultant for assistance throughout the implementation. The Project Manager has estimated that there are sufficient consultant hours to complete the project.

#### **Future Issues**

##### *Password Security/Systems Modifications*

The database password security measures are inadequate. The new system relies on the database password security measures which requires the database manager to set passwords and there exists no

automated means either over a period of time or user initiated changes to passwords. The database provides only minimum password protection controls.

The University has identified these password inadequacies and has purchased additional security software that will enable them to keep a history of logons, enforce lengths of passwords and characters, and give prompts to change passwords. The Data Security Administrator will develop reports to assist those responsible for monitoring systems access. The Administrator will also update current written policies and procedures to include security over these critical systems.

Installing this additional security package will require minor changes to Banner's baseline system. The Executive Steering Committee has approved these changes and testing of the systems is ongoing.

### *Information Technology Security Plan*

The University has included the new systems in its revised plan for information technology security. The plan includes a business impact analysis and a risk analysis to identify all sensitive information systems. Management has also completed other required components of the plan including information technology security safeguards, and security awareness and training programs.

Contingency plans for disaster backup and recovery of critical information reflect the University's change from a mainframe environment to a client server environment. Contingency plans for individual departments that include alternative manual procedures for critical functions during computer downtime have begun but are not yet complete.

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UNIVERSITY OFFICIALS

January 9, 1999

The Honorable James S. Gilmore, III  
Governor of Virginia

The Honorable Richard J. Holland  
Chairman, Joint Legislative Audit and Review Commission

The Board of Visitors  
Old Dominion University

We have audited the accounts and records of **Old Dominion University** as of and for the year ended June 30, 1998, and submit herewith our complete reports on financial statements and on compliance and internal control over financial reporting.

#### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of Old Dominion University as of June 30, 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Old Dominion University as of June 30, 1998, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements of Old Dominion University taken as a whole. The accompanying "Schedule of Auxiliary Enterprises Revenues and Expenditures" is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects, in relation to the financial statements taken as a whole.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of Old Dominion University as of and for the year ended June 30, 1998, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

### Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is for the information of the Governor and General Assembly, Board of Visitors, audit committee, management, and the people of the Commonwealth of Virginia and is a public record.

### EXIT CONFERENCE

We discussed this report with management at an exit conference held on February 19, 1999.

AUDITOR OF PUBLIC ACCOUNTS

GML:pym  
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OLD DOMINION UNIVERSITY  
BALANCE SHEET  
As of June 30, 1998

	Plant Funds									
	Current Funds		Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	Total (Memorandum Only)
	Unrestricted	Restricted								
A S S E T S										
Cash (Note 4)	\$28,427,525	\$ -	\$ -	\$ 15	\$ 699,858	\$ 845,900	\$ -	\$ -	\$ -	\$ 29,973,298
Investments held with the Treasurer of Virg	1,987,681	-	-	-	-	-	-	-	-	1,987,681
Appropriations available	-	-	-	-	45,018,066	-	-	-	-	45,018,066
Investments (Note 4)	6,444,920	1,253,968	374,779	11,827,423	18,188,042	859,471	-	-	62,436	39,011,039
Accounts receivable (Note 5)	6,669,175	899,673	86,456	258	-	-	-	-	-	7,655,562
Notes receivable (Note 5)	-	-	4,350,903	-	-	-	-	-	-	4,350,903
Inventories	567,179	-	-	-	-	-	-	-	-	567,179
Due from other funds	-	1,801,967	-	-	-	-	169,070	-	172,897	2,143,934
Prepaid expenses	80,343	10,921	-	-	-	-	-	-	-	91,264
Land	-	-	-	-	-	-	-	16,867,354	-	16,867,354
Buildings	-	-	-	-	-	-	-	125,556,534	-	125,556,534
Improvements	-	-	-	-	-	-	-	7,860,426	-	7,860,426
Equipment	-	-	-	-	-	-	-	31,672,502	-	31,672,502
Library books	-	-	-	-	-	-	-	26,121,460	-	26,121,460
Construction in progress	-	-	-	-	-	-	-	47,902,536	-	47,902,536
Equity in Equipment Trust Fund	-	-	-	-	-	-	-	74,424	-	74,424
Total assets	\$44,176,823	\$3,966,529	\$ 4,812,138	\$ 11,827,696	\$ 63,905,966	\$1,705,371	\$ 169,070	\$256,055,236	\$ 235,333	\$ 386,854,162
LIABILITIES AND FUND BALANCES										
Cash overdraft (Note 9)	\$ -	\$ 241,667	\$ 2,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349	\$ 244,110
Accounts payable and accrued liabilities	3,007,578	441,861	343	-	1,914,088	-	169,070	-	15	5,532,955
Obligations under Securities Lending Progr	1,987,681	-	-	-	-	-	-	-	-	1,987,681
Accrued leave	7,784,641	144,588	-	-	-	-	-	-	-	7,929,229
Deferred revenue	7,590,798	-	-	-	-	-	-	-	-	7,590,798
Retainage payable (Note 10)	-	-	-	-	625,765	-	-	-	-	625,765
Bonds payable (Note 6)	-	-	-	-	15,906,304	-	-	28,174,066	-	44,080,370
Leases payable (Note 6)	-	-	-	-	-	-	-	7,187,632	-	7,187,632
Due to other funds	1,988,151	-	91,214	-	64,569	-	-	-	-	2,143,934
Funds held in custody for others	-	-	-	-	-	-	-	-	234,969	234,969
Fund balances:										
Unrestricted current funds	21,817,974	-	-	-	-	-	-	-	-	21,817,974
Restricted current funds	-	3,138,413	-	-	-	-	-	-	-	3,138,413
Loan funds, U.S. Government grants	-	-	3,937,231	-	-	-	-	-	-	3,937,231
Loan funds, University - Restricted	-	-	781,256	-	-	-	-	-	-	781,256
Endowment - Restricted	-	-	-	6,529,400	-	-	-	-	-	6,529,400
Quasi-endowment - Restricted	-	-	-	4,767,036	-	-	-	-	-	4,767,036
Quasi-endowment - Unrestricted	-	-	-	531,260	-	-	-	-	-	531,260
Unexpended plant funds	-	-	-	-	45,395,240	-	-	-	-	45,395,240
Renewals and replacements	-	-	-	-	-	1,705,371	-	-	-	1,705,371
Net investment in plant	-	-	-	-	-	-	-	220,693,538	-	220,693,538
Total liabilities and fund balances	\$44,176,823	\$3,966,529	\$ 4,812,138	\$ 11,827,696	\$ 63,905,966	\$1,705,371	\$ 169,070	\$256,055,236	\$ 235,333	\$ 386,854,162

The accompanying notes to financial statements are an integral part of this statement.

OLD DOMINION UNIVERSITY  
STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 1998

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds			
	Unrestricted	Restricted			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
Revenues and other additions:								
Unrestricted current funds revenues	\$ 148,771,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State appropriations	-	-	-	-	59,347,871	-	1,414,997	-
Federal grants and contracts	-	60,720,137	50,046	-	-	-	-	-
State grants and contracts	-	5,195,097	-	-	-	-	-	-
Private gifts, grants, and contracts	-	6,688,376	-	-	544,523	-	-	-
Investment income	-	1,718,629	21,797	2,820,822	13,909	83,023	-	-
Interest on loans receivable	-	-	52,917	-	-	-	-	-
Expended for plant facilities (Including \$2,118,810 charged to current funds)	-	-	-	-	-	-	-	17,042,228
Retirement of indebtedness	-	-	-	-	-	-	-	3,934,061
Other sources	-	673,465	-	-	582,811	-	-	-
Total revenues and other additions	148,771,629	74,995,704	124,760	2,820,822	60,489,114	83,023	1,414,997	20,976,289
Expenditures and other deductions:								
Educational and general expenditures	120,770,628	75,447,932	-	-	-	-	-	-
Auxiliary enterprises expenditures	17,476,553	1,919,164	-	-	-	-	-	-
Indirect cost recovered	-	40,910	-	-	-	-	-	-
Loan cancellations, assignments, and write-offs	-	-	31,260	-	-	-	-	-
Administrative and collection costs	-	-	86,198	-	-	-	-	-
Expended for plant facilities (Including \$1,292,911 not capitalized)	-	-	-	-	16,212,997	3,332	-	-
Retirement of indebtedness	-	-	-	-	-	-	3,934,061	-
Interest on indebtedness	-	-	-	-	377,372	-	1,907,865	-
Disposal of plant assets	-	-	-	-	-	-	-	65,226
Refunded to grantors	-	86,197	-	-	27,970	-	-	-
Unrealized loss on investments	-	-	-	-	-	75,375	-	-
Payments for Securities Lending Program	108,049	-	-	-	-	-	-	-
Total expenditures and other deductions	138,355,230	77,494,203	117,458	-	16,618,339	78,707	5,841,926	65,226
Transfers among funds - additions/(deductions):								
Mandatory:								
Debt service	(4,426,929)	-	-	-	-	-	4,426,929	-
Loan fund matching grant	-	(15,230)	15,230	-	-	-	-	-
Allocation of work study	(114,843)	114,843	-	-	-	-	-	-
Nonmandatory - (to)/from other funds	(4,206,788)	3,340,069	(13,756)	(510,800)	1,478,272	(86,997)	-	-
Total transfers among funds	(8,748,560)	3,439,682	1,474	(510,800)	1,478,272	(86,997)	4,426,929	-
Net increase (decrease) for the year	1,667,839	941,183	8,776	2,310,022	45,349,047	(82,681)	-	20,911,063
Fund balances at beginning of year as restated (Note 3)	20,150,135	2,197,230	4,709,711	9,517,674	46,193	1,788,052	-	199,782,475
Fund balances at end of year	\$ 21,817,974	\$ 3,138,413	\$ 4,718,487	\$ 11,827,696	\$ 45,395,240	\$ 1,705,371	\$ -	\$ 220,693,538

The accompanying notes to financial statements are an integral part of this statement.



OLD DOMINION UNIVERSITY  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
For the Year Ended June 30, 1998

	Unrestricted	Restricted	Total
Revenues:			
Tuition and fees	\$ 55,032,561	\$ -	\$ 55,032,561
State appropriations (Note 9)	61,889,918	-	61,889,918
Federal grants and contracts	40,071	61,015,997	61,056,068
State grants and contracts	819	5,826,535	5,827,354
Private gifts, grants, and contracts	990,634	10,424,951	11,415,585
Sales and services of auxiliary enterprises	29,462,772	-	29,462,772
Investment income	819,772	-	819,772
Proceeds from Securities Lending Program	110,485	-	110,485
Other sources	424,597	-	424,597
Total current revenues	148,771,629	77,267,483	226,039,112
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	64,825,428	2,842,579	67,668,007
Research	352,682	1,781,719	2,134,401
Public service	439,390	364,499	803,889
Academic support	19,351,305	427,173	19,778,478
Student services	5,962,336	566,568	6,528,904
Institutional support	17,936,624	2,464,813	20,401,437
Operation and maintenance of plant	8,805,733	1,026	8,806,759
Scholarships and fellowships	3,097,130	66,999,555	70,096,685
Educational and general expenditures	120,770,628	75,447,932	196,218,560
Mandatory transfers:			
Debt service	230,097	-	230,097
Loan fund matching grant	-	15,230	15,230
Allocation of work study	114,843	(114,843)	-
Total educational and general	121,115,568	75,348,319	196,463,887
Auxiliary enterprises:			
Operating expenditures	17,476,553	1,919,164	19,395,717
Payments for Securities Lending Program	108,049	-	108,049
Mandatory transfers for debt service	4,196,832	-	4,196,832
Total auxiliary enterprises	21,781,434	1,919,164	23,700,598
Total expenditures and mandatory transfers	142,897,002	77,267,483	220,164,485
Other transfers and additions/(deductions):			
Deficiency of restricted receipts over transfers to revenue	-	(2,312,689)	(2,312,689)
Refunded to grantors	-	(86,197)	(86,197)
Nonmandatory transfers to other funds	(4,206,788)	3,340,069	(866,719)
Net increase (decrease) in fund balances	\$ 1,667,839	\$ 941,183	\$ 2,609,022

The accompanying notes to financial statements are an integral part of this statement.

**OLD DOMINION UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Old Dominion University have been prepared in accordance with generally accepted accounting principles for colleges and universities. The significant accounting policies followed by the University are as follows:

A. Reporting Entity

Old Dominion University is an institution of higher education and operates under policy guidelines established by the State Council of Higher Education in Virginia and is governed by a Board of Visitors.

A separate report is prepared for the Commonwealth of Virginia which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

B. Basis of Accounting

The University utilizes the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities. The accompanying financial statements include no provision for the depreciation of plant assets.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

C. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of "fund accounting." Resources are classified for accounting and reporting purposes into funds which may be used for activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the

Board of Visitors. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds, and are in contrast with unrestricted funds over which the governing board retains full control and use in achieving any of its institutional purposes, subject only to State laws and regulations governing such funds.

Unrestricted revenue is accounted for in the Current Unrestricted Fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Current Restricted Funds are reported as revenues and expenditures when expended for current operating purposes.

A summary of fund group definitions is as follows:

**Current Funds** - Current fund balances are separated into those which are restricted by donors and those which are unrestricted. Restricted funds may only be expended for the purposes indicated by the donor or grantor whereas unrestricted funds are available for current operations at the discretion of the University.

**Loan Funds** - Loan funds represent funds which are limited by the terms of their donors or by action of the Board of Visitors for the purpose of making loans to students.

**Endowment and Similar Funds** - Endowment and similar funds record the usage of income from moneys subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. The governing board has established quasi-endowment funds for the same purpose as endowment funds, and any portion of quasi-endowment funds may be expended.

**Plant Funds** - Plant funds are divided into four groups: Unexpended Plant, Renewals and Replacements, Retirement of Indebtedness, and Investment in Plant. Unexpended plant funds represent funds, which were specified by external sources or designated by the Board of Visitors for the acquisition and construction of physical properties. Renewal and replacement funds represent funds for the renovation and replacement of physical properties. Retirement of indebtedness funds represent resources held for the retirement of both principal and interest on debt and sinking funds established under bond indentures. Investment in Plant funds represent the capitalized value of physical property owned by the University, less associated long-term debt.

**Agency Funds** - Agency funds reflect funds held in custody for others by the University.

D. Investments

Investments which are purchased are recorded at fair value; investments received by gift are carried at fair value at the date of acquisition.

E. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out basis) or market.

F. Interfund Obligations

Interfund obligations represent the temporary use of current funds pending reimbursement of expenditures among funds.

G. Investment in Plant

Plant assets are stated at cost, or if donated, at fair market value at the date of donation. No provision for depreciation is made. Plant fund expenditures for construction in progress are capitalized as incurred and reflected in investment in plant.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of moveable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement, and (3) transfers of a nonmandatory nature for all other cases. Plant assets, at the time of disposal, revert to the Commonwealth of Virginia for disposition. Proceeds, if any, are returned to the University.

H. Accrued Leave

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned by employees of the University as of June 30, 1998. The amount represents all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

I. Deferred Revenue

Deferred revenue represents moneys received but not earned as of June 30, 1998. In the Current Unrestricted funds, deferred revenue represents student tuition and fees received in advance of the academic term.

J. Total Columns

Total columns on the financial statements are captioned "Total - Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## 2. AFFILIATED ORGANIZATIONS

The financial statements do not include the assets, liabilities, and fund balances of the Old Dominion Research Foundation, the Old Dominion Educational and Real Estate Foundation, and the Old Dominion Intercollegiate Foundation. The Educational and Real Estate and Intercollegiate Foundations have been audited for the year ended December 31, 1997, by independent certified public accountants. The Research Foundation has been audited for the year ended June 30, 1998, by independent certified public accountants, with the audit report submitted to the University.

The following is a condensed summary of the audited financial conditions, which the Foundations have submitted to the University:

	Research Foundation at June 30, 1998	Educational and Real Estate Foundation at December 31, 1997	Intercollegiate Foundation at December 31, 1997
Assets	<u>\$ 9,494,419</u>	<u>\$ 71,418,960</u>	<u>\$ 3,650,225</u>
Liabilities	\$ 3,383,140	\$ 68,003,204	\$ 3,438,875
Fund balances	<u>6,111,279</u>	<u>3,415,756</u>	<u>211,350</u>
Total liabilities and fund balances	<u>\$ 9,494,419</u>	<u>\$ 71,418,960</u>	<u>\$ 3,650,225</u>

The aggregate revenues and expenditures of these organizations were \$23,015,942 and \$20,413,717 respectively. The University had accounts receivable balances of \$5,090, \$15,128, and \$10,572 for the Research Foundation, the Educational and Real Estate Foundation, and the Intercollegiate Foundation, respectively, at June 30, 1998.

## 3. RESTATEMENT OF BEGINNING FUND BALANCES

Certain fund balances reported at June 30, 1997, have been restated to reflect adjustments related to GASB 31 reporting. The adjustments reflect the change in reporting the value of investments from cost to fair market value.

	Fund Balance at June 30, 1997	Adjustment	Restated Balance at July 1, 1997
Unrestricted Funds	\$ 19,136,131	\$ 1,014,004	\$ 20,150,135
Restricted Funds	\$ 2,104,909	\$ 92,321	\$ 2,197,230
Loan Funds	\$ 4,653,720	\$ 55,991	\$ 4,709,711
Endowment and Similar Funds	\$ 8,349,646	\$ 1,168,028	\$ 9,517,674
Unexpended Plant Funds	\$ 10,465	\$ 35,728	\$ 46,193
Renewal and Replacement Funds	\$ 1,661,533	\$ 126,519	\$ 1,788,052

#### 4. CASH AND INVESTMENTS

All state funds of the University are held by the Treasurer of Virginia pursuant to Section 2.1-177, et seq., Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled state funds is reported as "Cash" on the accompanying balance sheet and is not categorized as to credit risk. Certain deposits also are held by the University. Deposits with banks and savings institutions are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359, et seq., Code of Virginia. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings institutions are required to collateralize 100 percent of deposits in excess of FDLIC limits.

Statutes authorize the investment of funds held by the University in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated Prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements and money market funds comprised of investments which are otherwise legal investments of the University.

The University's investments, are categorized below to give an indication of the level of credit risk assumed by the University at June 30, 1998. Credit risk is the risk that the University may not be able to obtain possession of its investment instrument or collateral at maturity. Risk category 1 includes investments which are insured or registered or for which the securities are held by the University or its safekeeping agent in the University's name. Risk category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent in the University's name. Risk category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the University's name. The composition and categorization of investments held by the University at June 30, 1998, follows:

<u>Temporary Investments</u>	<u>Fair Value</u>
Category 3:	
U.S. Government Securities and	
U.S. Government Agent Securities	\$    966,961
Common and preferred stock	759,396
Corporate bonds	
Subtotal	1,902,999
Noncategorized:	
Money market	1,409,751
Common fund	<u>4,683,024</u>
Total temporary investments	<u>\$    7,995,774</u>

<u>Long-Term Investments</u>	<u>Fair Value</u>
Category 3:	
U.S. Government Securities and	
U.S. Government Agent Securities	\$ 1,807,598
Common and preferred stock	6,075,618
Corporate bonds	<u>2,058,299</u>
Subtotal	9,941,515
Noncategorized:	
Money market	\$ 3,142,480
State Non-Arbitrage Program investments	<u>17,931,270</u>
Total long-term investments	<u>\$ 31,015,265</u>
Total investments	<u>\$ 39,011,039</u>

Investments held by the Treasurer of Virginia represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

#### 5. DETAIL FOR BALANCE SHEET RECEIVABLE SUMMARY

##### Unrestricted Current Funds:

Accounts receivable, less allowance of \$492,453	<u>\$ 6,669,175</u>
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##### Restricted Current Funds:

Accounts receivable, less allowance of \$49,256	<u>\$ 899,673</u>
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##### Loan Funds:

Accounts receivable, less allowance of \$5,626	<u>\$ 86,456</u>
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Notes receivable, less allowance of \$283,145	<u>\$ 4,350,903</u>
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##### Endowment Funds:

Accounts receivable	<u>\$ 258</u>
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#### 6. LONG-TERM DEBT

A summary of changes in long-term indebtedness follows:

	Balance July 1, 1997	Additions	Retirements	Balance June 30, 1998
Bonds payable	\$ 28,643,476	\$ 17,915,000	\$ 2,478,106	\$ 44,080,370
Leases payable	<u>6,148,014</u>	<u>2,495,573</u>	<u>1,455,955</u>	<u>7,187,632</u>
TOTAL	<u>\$ 34,791,490</u>	<u>\$ 20,410,573</u>	<u>\$ 3,934,061</u>	<u>\$ 51,268,002</u>

Long-term debt of the University at June 30, 1998, consists of the following:

Bonds Payable

Old Dominion University's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(c) bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(d) bonds are revenue bonds and are not backed by full faith, credit, or taxing power of the Commonwealth. These bonds are not General Obligation Bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt is payable from pledged general revenues of the Institution or revenues of specific revenue-producing capital projects.

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance at June 30, 1998</u>
<u>Higher Education Institutions 9(c) Bonds:</u>			
Powhatan Field Apartments:			
Phase II Federal Bonds, Series 1983A	3.00%	2013	\$ 2,220,000
Phase II Refunding Bonds, Series 1992	5.00% - 5.60%	2002	191,590
Phase I Refunding Bonds, Series 1993B	3.50% - 4.25%	2001	688,968
Midrise Apartments:			
Federal Bonds, Series 1983B	3.00%	2013	2,135,000
Refunding Bonds, Series 1992	5.00% - 5.70%	2003	2,357,380
Athletics Facility & Renovation:			
Refunding Bonds, Series 1993	3.75% - 4.90%	2004	404,139
Refunding Bonds, Series 1993B	3.50% - 4.50%	2003	1,636,680
Phase I, Refunding Bonds, Series 1993B	3.50% - 5.00%	2010	3,941,057
Phase I, Refunding Bonds, Series 1996	6.40% - 8.40%	1999	265,000
Phase I, Refunding Bonds, Series 1996	4.75%	2001	597,190
Life Science Building Parking:			
Refunding Bonds, Series 1993	3.75% - 4.90%	2004	136,397
Refunding Bonds, Series 1993B	3.50% - 4.50%	2003	554,166
Dormitory Renovations:			
Gresham Hall, Refunding Bonds, Series 1992	5.00% - 5.70%	2003	477,313
Rogers Hall, Refunding Bonds, Series 1993	3.75% - 4.90%	2004	151,552
Rogers Hall, Refunding Bonds, Series 1993B	3.50% - 4.50%	2003	617,193
Multi-Level Parking:			
Refunding Bonds, Series 1993B	3.50% - 5.00%	2010	3,100,876
Refunding Bonds, Series 1996	6.40% - 8.40%	1999	205,000
Refunding Bonds, Series 1996	4.75%	2001	468,482
Webb Center Addition:			
Refunding Bonds, Series 1993B	3.50% - 4.00%	1999	94,326
Refunding Bonds, Series 1993B	3.50% - 5.00%	2011	4,059,645
Refunding Bonds, Series 1996	5.60% - 7.60%	2002	1,215,000



Refunding Bonds, Series 1996	4.75%	2003	366,338
Smalls Hardware, Refunding Bonds, Series 1993	3.75% - 5.20%	2008	282,078
<u>Higher Education Institutions 9(d) Bonds:</u>			
Virginia Beach Campus, Series 1997A	3.75% - 5.00%	2018	10,490,000
Convocation Center, Series 1997A	3.75% - 5.00%	2018	5,470,000
Convocation Center Parking Facility, Series 1997A	3.75% - 5.00%	2018	<u>1,955,000</u>
Total Bonds Payable:			<u>\$ 44,080,370</u>
<u>Capital Leases Payable:</u>			
Virginia College Building Authority allocation from Equipment Trust Fund (Note 7)			<u>\$ 7,187,632</u>
TOTAL LONG-TERM DEBT			<u>\$ 51,268,002</u>

A summary of future principal requirements of long-term debt follows:

Year Ending June 30,	Bonds	Capital Leases	Total
1999	\$ 5,117,453	\$ 2,106,721	\$ 7,224,174
2000	5,015,541	1,829,609	6,845,150
2001	5,011,423	1,913,104	6,924,527
2002	4,733,791	1,517,841	6,251,632
2003	4,470,027	617,003	5,087,030
Later years	<u>37,099,098</u>	<u>-</u>	<u>37,099,098</u>
Total payments	\$ 61,447,333	\$ 7,984,278	\$ 69,431,611
Less interest	<u>(17,366,963)</u>	<u>(796,646)</u>	<u>(18,163,609)</u>
Net principal	<u>\$ 44,080,370</u>	<u>\$ 7,187,632</u>	<u>\$ 51,268,002</u>

Prior Year Defeasance of Debt

During fiscal year 1996, the University defeased certain 1991A series, General Obligation Revenue Bonds. The University placed assets in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 1998, defeased bonds totaling \$350,000 were outstanding.

7. HIGHER EDUCATION EQUIPMENT TRUST FUND

The University has entered into lease agreements under the Equipment Trust Fund (ETF) of the Virginia College Building Authority (VCBA). The lease agreements are payable over a five year period with interest ranging from 4.10 percent to 5.00 percent for principal outstanding at June 30, 1998, totaling \$7,187,632. Under the terms of the leases, the University is authorized to purchase equipment from an approved list of equipment items in an amount not to exceed the principal amount of the lease. Payments for such purchases are to be reimbursed to the University or directly paid by the VCBA from the VCBA Equipment Trust Fund financed from proceeds of bonds issued by the VCBA for such purpose. The General Assembly has appropriated from the General Fund of the Commonwealth, an amount sufficient to repay principal and interest, for the general fund portion of the lease payment, and the University is required to pay the nongeneral fund portion of the lease payment.

At June 30, 1998, the University had purchased equipment totaling \$20,721,607 under the lease. The total allocation from VCBA bond proceeds for equipment purchases is \$20,796,031.

8. COMMITMENTS

At June 30, 1998, the University was committed to construction contracts totaling \$46,897,984. Under those contracts, completed construction amounted to \$36,949,893 and uncompleted construction amounted to \$9,948,091 at June 30, 1998.

The University leases various types of equipment and real property under operating lease arrangements. Rental expense under operating leases was \$1,800,512 for the year ended June 30, 1998. Commitments for subsequent fiscal years are as follows:

<u>Year Ending June 30,</u>	<u>Operating Lease Obligations</u>
1999	\$84,941

9. CASH OVERDRAFT

The cash overdrafts in the Restricted Fund, Loan Fund, and Agency Fund are due to the University's short-term investment of excess cash in bank.

10. RETAINAGE PAYABLE

At June 30, 1998, \$625,765 was held by the University as retainage on construction contracts for work which has been performed. Retainage represents contractual or agreed-upon amounts withheld from contractors pending satisfactory completion of the construction projects.

11. STATE APPROPRIATIONS – CURRENT UNRESTRICTED FUNDS

The Appropriation Act specifies that unexpended appropriations from the General Fund of the Commonwealth shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursement.

During the fiscal year ended June 30, 1998, the following changes were made to the University's original appropriation, including supplemental appropriations received in accordance with the Appropriation Act of 1997, Chapter 924, Acts of Assembly:

Appropriation (Revised Act)	\$ 60,250,550
Adjustments:	
Student financial assistance	1,655,139
HEETF additional appropriations	570,185
HEETF payment	(1,414,997)
Central Fund	914,486
Prior year General Fund rollover	16,399
Group Life Insurance reversion	(12,716)
Reversion	(13,267)
Act PT 3 transfer	<u>(75,861)</u>
Adjusted appropriations	<u>\$ 61,889,918</u>

12. RETIREMENT AND PENSION SYSTEMS

Substantially all full-time classified salaried employees of the University participate in the defined benefit retirement plan administered by the Virginia Retirement System (VRS). Information relating to this plan is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not Old Dominion University, has overall responsibility for contributions to this plan.

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed contribution programs where the retirement benefits received are based upon employer contributions of 5.4 percent and employee contributions of 5 percent and interest and dividends. Individual contracts issued under the plans provide for full and immediate vesting of both University and employee contributions. Total pension costs under these plans were approximately \$2,430,939 for the year ended June 30, 1998. Contributions to other retirement plans were calculated using the base salary amount of approximately \$23,843,155.

13. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participated in the state health plan. Information related to these plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

#### 14. LITIGATION

The University has been named as a defendant in a number of lawsuits. The final outcome of any of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University may be exposed will not have a material effect upon the University's financial position.

#### 15. YEAR 2000 READINESS

Old Dominion University recognizes the significance of the Century Date Change and the impact Year 2000 may have on its information technology and business infrastructure. The University has established a Year 2000 Committee made up of staff from the Office of Computing and Communications Services to work in conjunction with the Commonwealth's legislatively authorized Virginia Century Date Change Office to help address the Year 2000 issue. The University is in the process of replacing current administrative computer systems and reengineering related business processes to address Year 2000 readiness. In December 1997, the University contracted for an integrated client server system to replace the existing administrative system.

The University has identified its administrative computer systems as mission-critical and is subjecting those systems and equipment to the following stages of work to address the Year 2000 issues:

- Awareness stage – Establishing a budget and project plan for dealing with the Year 2000 issue.
- Assessment stage – Identifying the systems and components for which Year 2000 compliance work is needed.
- Remediation stage – Making changes to systems and equipment.
- Validation/Testing stage – Validating and testing the changes that were made during the remediation stage.

As of January 1999, the University has completed the Awareness and Assessment stages for all components of their mission-critical systems. They have completed the Remediation and Validation/Testing stages for their Institutional Advancement System, Finance System, and Human Resources Information System. The remaining mission-critical components, the Student Information System and the Financial Aid System, are in various stages of the Remediation and Validation/Testing Phases. Cost estimates for all the University's Year 2000 readiness projects are \$5,900,764. Actual expenditures as of December 1998 were \$4,190,297.

The University's Year 2000 Committee is also addressing general Year 2000 issues not associated with the new administrative systems. The Committee has identified non mission-critical systems, non-traditional computing systems, systems that depend on embedded microchips, data exchange requirements, and the University's relationships with outside agencies and vendors. Replacement products for non mission-critical systems are currently being reviewed. The non-traditional computing systems were found to be primarily non-date dependant. University forms with

date restrictions will be updated as they are re-ordered. Data exchange requirements will be addressed as part of the replacement systems being installed.

The University's contingency plan is for each functional area to develop a manual contingency plan that must be in place by the time that the administrative replacement systems go live for their areas.

The State Comptroller maintains the Commonwealth's Accounting and Reporting System, which the University uses to reconcile their financial accounting system. Information relating to the Year 2000 readiness for the Commonwealth's systems is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

16. SURETY BOND

The employees of the University were covered by a Faithful Performance Duty Bond administered by the Commonwealth of Virginia's Department of General Services, Division of Risk Management with liability limits of \$500,000 for each occurrence. Information relating to the Commonwealth's self-insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

OLD DOMINION UNIVERSITY  
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES AND EXPENDITURES  
For the Year Ended June 30, 1998

	Residential Facilities	Dining Services	University Stores	Summer Activities	Student Activities	Vending Commission	Webb Center	Parking	Health Services	Athletics	Auxiliary Other **	General Fee Reserve	Total
Operating revenues:													
Student fees	\$ 5,481,427	\$ -	\$ -	\$ 81,207	\$ 1,467,564	\$ -	\$ 2,267,971	\$ -	\$ 868,768	\$ 7,075,353	\$ 4,845,770	\$ -	\$ 22,088,060
Sales and services	1,453,935	94,673	20,000	-	128,490	444,918	220,591	2,209,764	48,484	1,055,001	1,007,658	208,536	6,892,050
Rental and other income	-	-	482,662	-	-	-	-	-	-	-	-	-	482,662
Gross operating revenues	6,935,362	94,673	502,662	81,207	1,596,054	444,918	2,488,562	2,209,764	917,252	8,130,354	5,853,428	208,536	29,462,772
Cost of sales	55	-	-	-	8,901	-	-	-	77	-	5,806	-	14,839
Net operating revenues	6,935,307	94,673	502,662	81,207	1,587,153	444,918	2,488,562	2,209,764	917,175	8,130,354	5,847,622	208,536	29,447,933
Operating expenditures:													
Personal services	711,198	56,029	-	43,141	926,025	-	695,898	258,402	580,585	3,299,602	252,459	-	6,823,339
Contractual services	3,163,370	28,784	12,976	9,931	779,141	32,934	648,030	508,748	284,395	2,606,850	540,260	-	8,615,419
Equipment	262,746	1,260	-	-	28,755	3,140	53,178	412,368	80,089	81,311	107,680	-	1,030,527
Supplies and materials	322,692	(22,413)	2,114	7,180	80,371	-	133,403	24,598	53,645	347,469	43,370	-	992,429
Scholarships	-	-	-	-	-	-	-	-	-	1,919,164	-	-	1,919,164
Total operating expenditures	4,460,006	63,660	15,090	60,252	1,814,292	36,074	1,530,509	1,204,116	998,714	8,254,396	943,769	-	19,380,878
Excess of revenues over operating expenditure	2,475,301	31,013	487,572	20,955	(227,139)	408,844	958,053	1,005,648	(81,539)	(124,042)	4,903,853	208,536	10,067,055
Nonoperating revenue:													
Private gifts	-	-	-	-	-	-	-	-	-	216,339	-	-	216,339
Mandatory transfers:													
Debt service	(1,494,510)	-	-	-	(6,133)	-	(770,667)	(578,849)	-	(943,468)	(403,205)	-	(4,196,832)
Nonmandatory transfers (to)/from other funds	(459,170)	-	(442,662)	-	141,049	(424,416)	(539,864)	(487,353)	(100,000)	(41,240)	(303,946)	(2,207,100)	(4,864,702)
Total transfers	(1,953,680)	-	(442,662)	-	134,916	(424,416)	(1,310,531)	(1,066,202)	(100,000)	(984,708)	(707,151)	(2,207,100)	(9,061,534)
Net increase (decrease) in fund balances	521,621	31,013	44,910	20,955	(92,223)	(15,572)	(352,478)	(60,554)	(181,539)	(892,411)	4,196,702	(1,998,564)	1,221,860
Fund balances (deficit) at beginning of year	3,423,237	140,971	71	205,704	57,036	-	1,534,932	2,815,968	442,787	2,151,725	7,378,408	2,350,871	20,501,710
Fund balances (deficit) at end of year	\$ 3,944,858	\$ 171,984	\$ 44,981	\$ 226,659	\$ (35,187)	\$ (15,572)	\$ 1,182,454	\$ 2,755,414	\$ 261,248	\$ 1,259,314	\$ 11,575,110	\$ 352,307	\$ 21,723,570

\*\* Auxiliary Other includes the Virginia Beach Development Fund (\$2,203,592) and the East Side Development Fund (\$8,982,690)

OLD DOMINION UNIVERSITY  
Norfolk, Virginia

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